



EXETER COLLEGE

**Report and Financial Statements
for the year ended 31 July 2018**

Key Management Personnel, Board of Governors and Professional Advisors

Key Management Personnel

Key management personnel are defined as members of the College Leadership team and were represented by the following in 2017-18:

Principal & Accounting Officer:	Mr J Laramy
Vice Principal – Finance and Business Operations:	Mr S Campion
Vice Principal – Schools, Partnerships & Curriculum:	Mr R Bosworth
Vice Principal – Standard and Student Experience:	Mrs J Skinner (resigned 31 July 2018)

Board of Governors

A full list of Governors is given on Page 12 & 13 of these financial statements.

B Sweeney ceased to act as Clerk to the Corporation on 31 July 2018. A recruitment process is currently being undertaken for the new Clerk

Professional advisers

Financial statement and regularity auditor:

Bishop Fleming
Stratus House
Emperor Way
Exeter Business Park
Exeter EX1 3QS

Internal auditors:

TIAA
Business Support Centre
54-55 Gosport Business Centre
Aerodrome Road, Gosport
Hampshire, PO13 0FQ

Bankers:

Lloyds Bank PLC
PO Box 340
234 High Street
Exeter
EX4 3ZB

Solicitors:

Foot Anstey Solicitors
Senate Court
Southernhay Gardens
Exeter
Devon
EX1 1NT

Property consultants:

Peninsula Project Consulting
Redwoods
2 Clyst Works
Clyst Road
Topsham
Exeter
EX3 0DB

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STATEMENT FROM THE CHAIR OF THE BOARD

The Board has presided over another strong year for Exeter College. The constant organisation wide focus on student outcomes, the learner experience, teaching quality and robust financial management during 2017/18 has put the College in an exceptionally strong position as it faces the challenges of the coming year.

Adverse demographic trends, reduced government funding and major national education policy and curriculum changes are factors affecting the whole of the sixth form and further education sector. Exeter College is not immune to such factors and the fact that, despite these, the College has continued to grow and improve its outcomes over the last year is testament to the drive, innovation and responsiveness of its leadership and governance.

The College will have finished the year with "Good" financial health, only marginally below the threshold for "Outstanding" as classified by the ESFA. The College is operating in an environment of tighter margins, but has been aided by the asset sale of the Wear Barton playing fields in delivering a strong cash position by year end.

Within our financial model, we have also continued the momentum of capital investment in accommodation and facilities, to support our ever-growing student numbers. The start of 2017/18 saw the completion of a new boiler house for the main Hele Road site as well as the construction of a new 3G astroturf at our Exwick Sports Hub.

In year, the College has progressed the initial phases of its 20 year property masterplan. A new gym and dance floor is under construction at our Queen Street site following a successful planning application. In addition, the College won a bid (with Devon County Council) to enhance a pedestrian route between Exeter St Davids station and the College, benefiting the community on what we see as our main College corridor, linked to the Masterplan.

In 2017/18 our funded 16-18 full-time learner numbers again remained at a very similar level to 16/17, at 5,547, notwithstanding a further demographic dip nationally and locally. This further established Exeter College's position as one of the Top 10 largest 16-18 providers in the country, one of the few achieving this without merger. Our higher education numbers remained on a par with previous years (566 learners). Exeter College now supports over 2,000 apprentices on an annual basis, servicing the skills requirements of both apprenticeship levy paying employers and small and medium sized enterprises (SMEs). Exeter College Apprentices Ltd was purchased in year to grow further our delivery to non-levy paying employers.

The College has continued to be recognised nationally across its breadth of provision. At the end of 2017, Exeter was announced as College of the Year by FE Week (the national sector publication) for the second year running in a league table based on outcomes across a number of criteria, including apprenticeships and full-time provision. Exeter College was also ranked in the national Top 10 for apprenticeship achievement rates amongst Further Education (FE) colleges, according to statistics released by the Department for Education (DfE).

Towards the end of the year the College was also named national Science, Technology, Engineering and Mathematics (STEM) FE College of the Year. This was especially pleasing after recent investments in the £8.2m Maths and Science Centre, as well as the £3m extension to our Technology Centre at Monkerton, which was officially opened during the summer, with the financial support of the Heart of the South West Local Enterprise Partnership.

Across all our programmes 2017/18 was a year of exceptional student outcomes, with the best ever A Level results, strong International Baccalaureate results and well above national average outcomes for Apprenticeships. An impressive 24 students were offered Oxford and Cambridge places, a new record for the College.

Partnership working is, as always, central to our approach and to our work. We built on our strong and well-established partnerships with local schools, the University of Exeter, the City and County Councils, Devon Colleges Group, major local employers, employer organisations and sports bodies. We have also developed significant new partnerships with GWR and the Royal Devon & Exeter NHS Foundation Trust, linked to the implementation of the Apprenticeship Levy. The relationship with the Exeter Chiefs Rugby Club, creating the Chiefs' male and female Rugby Academy at Exeter College, continues to thrive with the U18 men's team representing England in the World Cup in Japan.

STATEMENT FROM THE CHAIR OF THE BOARD (Continued)

The Board remains extremely strong in the quality and breadth of its membership and continually renews itself on account of its 4 + 4 year maximum 8 year term of office. We are fortunate to have a good gender and age balance on the Board although, in common with many Boards, there is work to do on diversity other than gender. It has presided over a sustained period of growth, success and rising quality and faces ever increasing sectoral, political, curriculum and financial challenges ahead with a very high degree of confidence. I am grateful to the governors, leadership team, staff, supporters and, above all, the learners of the College in delivering another successful year's working.



David Allen OBE
Chair of the Board of Exeter College

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2018.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the business of Exeter College. The College is an exempt charity for the purposes of Part 3 the Charities Act 2011.

Vision, Mission and Dimensions

In 2016/17, Exeter College launched its new Strategic Plan (2016-20) which incorporates the following Vision, Mission, Values and Dimensions

Vision

To be an exceptional college.

Mission

To realise ambitions, shape the future of education and strive for excellence for our learners, city and region.

Our Values

1. Student-centred
We are focused on delivering exceptional teaching, learning and training. We listen and respond to feedback and place the student at the heart of our college.
2. Striving for excellence
We expect excellence in all dimensions of the college and always believe we can improve.
3. Developing our people
We know every person in the organisation makes a difference to the student experience. We value professional development and nurture an environment in which every employee can make a positive contribution.
4. Creative and ambitious
We don't stand still; we actively seize and create new opportunities. We are imaginative, innovative and aspirational.
5. Trust and integrity
We believe in honest and transparent communication. Trust and integrity is at the core of all that we do.
6. Collaborative and Inclusive
We forge links with the community; locally, nationally and internationally to grow our partnerships and respond to the needs of our stakeholders. We develop our curriculum to meet the needs of all our learners.

Within the Strategic Plan, there are six dimensions ; 6th Form Centre, Apprenticeships and Employers, Centre for University Level Studies, Adult Training and Learning, Resources and Business Operations, and People. A series of performance objectives have been agreed to monitor the successful implementation of the Strategic Plan against each dimension. These are reviewed on an annual basis at Board and college management team level.

Operating and Financial Review (continued)

Public Benefit

Exeter College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 12 and 13. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce
- Links with Local Enterprise Partnerships (LEPs)

Financial objectives

The Governing Body agreed the following objectives at part of the budget setting process.

1. To sustain at least Good Financial Health, as categorised by the ESFA.
2. To maintain a balance between a strong retained cash position and investment in line with the Property Masterplan. Current Ratio > 1
3. To manage long term borrowing and overall debt. Borrowing as a percentage of income less than 30%
4. To diversify the college income streams, reducing the reliance on ESFA funding. Non ESFA funding as a percentage of total income > 31%
5. To achieve an agreed annual EBITDA > 7% as a percentage of income
6. To continue to grow in line with our strategic plan objectives. Annual Income > £40m

All these objectives were met in year.

Performance indicators

The Education and Skills Funding Agency has adopted a system of performance measures for colleges, FE Choices which is part of the Further Education Public Information (FEPI) framework:

- Success rates
- Learner destinations
- Learner satisfaction
- Employer satisfaction

The College is committed to observing the importance of the measures and indicators within the Framework and is monitoring these through the completion of the annual Finance Record for the Education and Skills Funding Agency. The current rating is in line with the recent Ofsted inspection which grades the College as outstanding.

FINANCIAL POSITION

Financial results

The financial results for Exeter College for 2017/18 leaves the college as "Good", only marginally below the threshold for "Outstanding" based on the criteria set by the ESFA. The surplus after tax was £1,474,000 (2016/17: deficit £637,000). This surplus includes the proceeds on the asset sale of Wear Barton playing fields (£3,488,000) which has been fully recognised in these accounts, based on two cash payments in July 2018 and July 2019.

Operating and Financial Review (continued)

The College has continued to grow, with total income now above £40million for the first time in its history. The college has continued to invest in its staff, including a one off non consolidated bonus for all staff based on the overall performance in 17/18.

The Group has an FRS102 accumulated income and expenditure reserve of £3,889,000 (2017: Deficit £2,867,000) and cash balances of £7,466,000 (2017: £6,883,000). The College continued to accumulate reserves based on good operating performance and the one off land sale (Wear Barton). The cash balances will be used to support the development and implementation of the strategic plan, property masterplan and rewarding staff based on overall college performance.

Tangible fixed asset additions during the year amounted to £2,387,000. This was split between new buildings of £1,374,000, equipment purchased of £877,000 and assets under construction of £136,000.

The College has significant reliance on the funding bodies for its principle funding source, largely from recurrent grants. In 2017/18 funding body grants provided 76% of the College's total income.

The College has two subsidiary companies, Aplus Training (SW) Limited, and Exeter College Services Limited (previously Ecole Limited), both of which are dormant. In addition, the Group has purchased Exeter College Apprentices Ltd in year for delivery of non-levy (SME) apprenticeships. This has a year end of July 2019 for it's first year of operation, as part of Exeter College.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place. Borrowing requires authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum of the Education and Skills Funding Agency.

Cash flows

At £735,000 (2017: £3,545,000), operating cash inflow was satisfactory. Year end position was aided by the completion of the Wear Barton asset sale in July 2018, with the first payment that month.

Liquidity

The size of the College's total borrowing and its approach to interest rates have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably met.

Reserves Policy

The College recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial Health

The College has achieved "Good" financial health, only marginally below the threshold for "Outstanding" as classified by the Education and Skills Funding Agency. Based on the current three year financial plan, the ESFA have classified our long term financial health as "Good".

Operating and Financial Review (continued)

Student numbers

In 2017/18 the Group has delivered activity that has produced £30,001,000 in funding body main allocation funding (2017: £29,541,000). The College enrolls over 11,500 students spanning entry to level 4 provision. Around a third of all 16-18 full-time students in the Devon Local Authority Area attend Exeter College. There were 5,608 full time 16-18 at the end of the year, above the original funding allocation for the year.

Student achievements

Student outcomes are outstanding and continue to place Exeter College as one of the highest performing colleges in the country. 16-18 learners have an overall achievement rate of 88% compared to the national average of 82%. The overall achievement rate for apprenticeship provision is 79%, some 10% ahead of the last available national average.

Curriculum developments

Exeter College plays a social, economic and community leadership role in the city and county as a school, Sixth Form College, general further education College, training provider for employers and HE centre. This makes the College vibrant and lively, with a strong focus on success, which has a high impact on the local community.

Exeter College offers a very wide curriculum to our students and our community. Courses are offered in all subject areas except land-based industries, from Foundation learning level 1 to levels 3 and 4. The College has extensive and meaningful links with business, industry and the community, including partnerships with Flybe, Exeter City Football Club, Exeter City Council and Devon County Council. Significant new apprentice delivery models are currently being implemented for GWR and the Royal Devon & Exeter hospital in Exeter.

2017/18 has been the third year of embedding Maths and English into programmes of study. This continues to be a challenge in terms of resourcing in a large Tertiary College as well as the impact on quality metrics.

The College has also developed a number of other specialist academies including the Journalism Academy, the Michael Caines Hospitality Academy, the Reach Academy, an Enterprise Academy and the Exeter Chiefs Rugby Academy.

Additionally, Exeter College is the adult and community learning provider for the city offering a range of adult vocational provision and enrolled 566 students on Higher Education programmes in an increasingly competitive environment. In 2017/18, over 100 young people aged 14-16 attended the College, following a wide range of courses from Foundation Learning through vocational provision to gifted & talented programmes.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2017 to 31 July 2018, the College paid 98% of its suppliers within the month. The College incurred no interest charges in respect of late payment for this period.

Post-balance sheet events

There are no post balance sheet items in the financial statements to report.

Operating and Financial Review (continued)

Future prospects

During 2017 the college launched a 20 year estates masterplan producing a vision for our city centre sites (Hele Road and Queen Street) to accommodate a projected 30% growth in students over this period. The planning framework is currently being formalised with Exeter City Council, with a target of April 2019 for approval. The college is already pushing forward with the construction of a new gym and dancefloor at our Queen Street campus generating 6 new teaching spaces as a consequence.

In addition, the College is about to launch a new Apprenticeship and Employment Hub on Queen Street (newly leased premises). As part of its sports and wellbeing strategy the college is continuing to develop the Exwick / Flowerpot faculty in the centre of Exeter in partnership with Exeter City Council. A new cricket wicket has been installed, tennis courts enhanced and a new 3G artificial grass football / rugby surface was completed in year. These facilities provide outstanding outdoor teaching facilities in the centre of the city, serving both our students and the local community

The college continues annually to invest in IT and smaller scale estates projects, for instance with the replacement of the main Hele Road boilers at a cost of nearly £500k during 2017/18 and the continuation of a small capital process for faculties and departments to bid into each year.

RESOURCES

The College has considerable property resources that it can deploy in pursuit of its strategic objectives. There are now five main College sites in Exeter city centre, as well as the recently extended Technology Centre at Monkerton and a Construction Centre at Sowton. In addition, the College operates an Outdoor Education Centre at Haven Banks, on the Quayside in Exeter, in partnership with Devon County Council and the Exwick sports facilities with Exeter City Council as set out above. The college operates its Aplus accountancy training as part of the Business and IT faculty from an existing centre in Exeter and a relocated base in Plymouth.

Financial

The College has £13,138,000 of consolidated net assets (2017: £6,707,000), after deducting £21,757,000 pension liability (2017: £24,338,000) and long term debt of £8,281,000 (2017: £9,005,000).

People

The Group employs 723 people (expressed as full time equivalents), of whom 583 are teaching staff.

Reputation

The College has an outstanding reputation locally, regionally and nationally. Maintaining a high quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the College undertakes a comprehensive review of the risks to which it is exposed. It identifies systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the College will also consider any risks which may arise as a result of a new area of work being undertaken.

A risk register is maintained at the College level which is reviewed by both the Senior Leadership Team and the Audit and Risk Assurance Committee on a termly basis. In addition, each risk has been allocated to the relevant governance committee for additional oversight. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Operating and Financial Review (continued)

This is supported by risk management training to raise awareness of risk throughout the College.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

- Response to ongoing funding pressures while maintaining the quality of our provision
- Impact of the Brexit vote
- Failure to recruit high quality staff and managers
- Student residential accommodation – capacity and safeguarding
- Failure to respond to curriculum and assessment changes
- Failure to meet safeguarding and Prevent Strategy requirements
- Failure to accommodate and coordinate all GCSE Maths and English students
- Failure to successfully implement new apprenticeships model
- Capacity of the College leadership team
- Increased competition for HE students
- Failure to provide sufficient specialist resources
- Nursery collaboration project
- IT security – risk of cyber attack
- Failure to capitalise on demographic growth opportunity

These risks are being addressed through the College's Strategic and Operational plans.

Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Exeter College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Exeter College has many stakeholders. These include:

- Students;
- Funding Agencies;
- Governors;
- Staff;
- Local employers;
- Local Authorities;
- Local Enterprise Partnership;
- Parents & schools;
- The local community;
- Exeter University;
- Other FE and HE institutions;
- Trade unions;
- Lenders; and
- Professional bodies

Operating and Financial Review (continued)

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

Equality

Exeter College is committed to ensuring equality of opportunity for all who learn and work here. Safeguarding is at the core of all the College's operations. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

The College's Equality and Diversity Policy is published on the College's Internet site.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. An Equality and Diversity Policy is in place and is monitored by managers and governors.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010.

- a) As part of its accommodation strategy the College regularly updates its access audit.
- b) There is a list of specialist equipment, such as lighting and audio facilities, which the College can make available for use by students and a range of assistive technology is available in the learning centres.
- c) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- d) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- e) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- f) Counselling and welfare services are described in the College Student Handbook, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 7/12/18 and signed on its behalf by:



David Allen
Chair of the Board

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

CORPORATE GOVERNANCE

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2006. Its purpose is to help the reader of the Financial Statements understand how the principles have been applied. We are not required to comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the College and best practice. The college also works in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges.

THE CORPORATION

The governors, including co-opted members, who served on the Corporation during the year and up to the date of approval of this report were as listed in Table 1. Attendance data refers only to Board and Committee meetings held between 01/08/17 and 31/07/18 on which Members served, not where Members attended as observers.

Table 1: Corporation Members during 2017/18 and up to the date of approval of this report

Name	Appointment Dates	Terms of Office	Resignation Dates	Appointment Status	Board & Committees 01/08/17-31/07/18 (meetings attended/scheduled meetings)
D Allen <i>Chair</i>	01/04/13 01/04/17	4 years 4 years		External	Board (5/5) Business Services (4/5) Search & Governance (3/3) Remuneration (3/3)
B Arjoon	01/08/13 01/08/17	4 years 4 years		External	Board (4/5) Quality & Standards (5/5)
D Batho	06/07/11 06/07/15	4 years 4 years	23/03/18	Staff (B Support)	Board (2/3) Audit & Risk Assurance (3/3)
P Bostock	15/10/10 14/10/14	4 years 4 years	13/10/18	External	Board (5/5) Business Services (5/5)
S Brampton	9/10/15	4 years		External	Board (4/5) Audit & Risk Assurance (3/4)
S Clarke	04/05/18	4 years		External	Board (0/1) Quality & Standards (1/1)
J Coombs	04/07/12 04/07/16	4 years 4 years		Co-opted	Audit & Risk Assurance (3/4)
B Gardner	01/09/18	1 year		Student (HE)	Board Quality & Standards
M Goodwin	09/10/15	4 years		External	Board (1/5) Business Services (4/5)
J Harris	01/09/18	1 year		Student (FE)	Board Quality & Standards
C Hoar	04/07/12 04/07/16	4 years 4 years		External	Board (5/5) Business Services (5/5) Search & Governance (3/3) Remuneration (3/3)
J Laramy	01/04/16	Ex officio		Principal & CEO	Board (5/5) Business Services (5/5) Quality & Standards (4/5) Search & Governance (3/3)
K Lewis	01/08/17	1 year	31/07/18	Student (FE)	Board (4/5) Quality & Standards (5/5)

EXETER COLLEGE

Name	Appointment Dates	Terms of Office	Resignation Dates	Appointment Status	Board & Committees 01/08/17-31/07/18 (meetings attended/scheduled meetings)
C Marshall	10/05/10 10/05/14	4 years 4 years	09/05/18	External	Board (4/4) Quality & Standards (4/4)
J Matthews	01/08/13 01/08/17	4 years 4 years		Co-opted	Audit & Risk Assurance (3/4) Quality & Standards (4/5)
A Mitchell	05/07/17	2 years		External (Schools)	Board (4/5) Quality & Standards (3/5)
S Noakes	06/07/18	4 years		External	Board (1/1) Business Services
M Owen	02/05/14 02/05/18	4 years 4 years	13/07/18	Staff (Academic)	Board (5/5) Quality & Standards (4/5)
M Pugh	08/07/15	4 years		External	Board (5/5) Business Services (3/5)
M Roach	08/12/10 17/12/14	4 years		External	Board (4/5) Business Services (5/5) Remuneration (3/3) Search & Governance (3/3)
C Stevens	01/08/17	1 year	31/07/18	Student (HE)	Board (4/4) Quality & Standards (3/4)
D Underwood	12/10/12 12/10/16	4 years 4 years		External	Board (5/5) Quality & Standards (5/5) Audit & Risk Assurance (4/4) Search & Governance (1/3) Remuneration (2/3)
E Webber <i>Vice Chair</i>	18/02/11 18/02/15	4 years 4 years		External	Board (5/5) Quality & Standards (5/5) Search & Governance (3/3) Remuneration (3/3)
C Wood	06/07/18	4 years		Staff (B Support)	Board (1/1) Quality & Standards
G Woodcock	07/10/16	4 years		External	Board (2/5) Business Services (5/5)

B Sweeney ceased to act as Clerk to the Corporation on 31 July 2018. Recruitment is currently in progress for the new Clerk.

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Business Services, Audit and Risk Assurance, Remuneration, Search and Governance, Quality and Standards. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website or from the Clerk to the Corporation at:

Exeter College
Hele Road
Exeter
Devon
EX4 4JS

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL *(continued)*

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal of the College are separate.

APPOINTMENTS TO THE CORPORATION

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, comprising of the Chair and Vice Chair of the Board, the Principal and the Chairs of the Committees, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

REMUNERATION COMMITTEE

Throughout the year ending 31 July 2018, the College's Remuneration Committee comprised the Chair and Vice Chair of the Board, a Governor with expertise in Human Resources and a Governor with expertise in Finance. The committee determines the remuneration and benefits of the Principal and other senior post-holders, reporting to the Corporation.

Details of remuneration for the year ended 31 July 2018 are set out in notes 6 & 7 to the financial statements.

AUDIT AND RISK ASSURANCE COMMITTEE

The Audit and Risk Assurance Committee comprises four members of the Corporation (excluding the Principal and the Chair of the Board). The committee operates in accordance with written terms of reference approved by the Corporation.

The Audit and Risk Assurance Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit and Risk Assurance Committee.

Management is responsible for the implementation of agreed audit recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL *(continued)*

The Audit and Risk Assurance Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work, as well as reporting annually to the Corporation.

INTERNAL CONTROL

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable, and not absolute assurance, against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum / Financial Agreement between Exeter College and the Learning and Skills Council and its successor organisations. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Exeter College for the year ended 31 July 2017 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the report and financial statements. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation;
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines, where appropriate.

Exeter College has an internal audit service, which operates in accordance with the requirements of the Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit and Risk Assurance Committee. At least annually, the Head of Internal Audit (HIA) provides the Corporation with a report of internal audit activity in the College.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL *(continued)*

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors;
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework;
- Comments made by the College's financial statements auditors, the regularity auditors in their management letters and other reports.

The Principal has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit and Risk Assurance Committee which oversees the work of the internal auditor, and a plan to address weakness and ensure continuous improvement of the system is in place.

The Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Leadership Team and the Audit and Risk Assurance Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit and Risk Assurance Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit and Risk Assurance Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 7 December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the Senior Leadership Team and internal audit, and taking account of events since 31 July 2018.

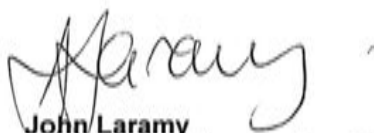
GOING CONCERN

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. During 2017/18, the corporation has approved both a five year strategic plan and a twenty year property masterplan, which provides a framework for its ongoing operations. For this reason it continues to adopt the going concern basis in preparing the Financial Statements.

Approved by order of the members of the Corporation on 7 December 2018 and signed on its behalf by:



David Allen, OBE
Chair of the Board



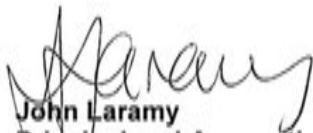
John Laramy
Principal and Accounting Officer

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with Education and Skills Funding Agency terms and conditions of funding, under the financial memorandum/funding agreement in place between the College and the Education and Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum/funding agreement.

We confirm on behalf of the Corporation that after due enquiry, and to the best of our knowledge, we are unable to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education and Skills Funding Agency's terms and conditions of funding under the College's financial memorandum / funding agreement.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Education and Skills Funding Agency.



John Laramy
Principal and Accounting Officer



David Allen, OBE
Chair of the Board

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The members of the Corporation are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum agreed between the Education and Skills Funding Agency and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction issued jointly by the Education and Skills Funding Agency and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the asset of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Funding bodies are used only in accordance with the Financial Memorandum with the Funding bodies and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Funding bodies are not put at risk.

Approved by order of the members of the Corporation on 7/12/18 and signed on its behalf by:



David Allen, OBE
Chair of the Board

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF EXETER COLLEGE

Opinion

We have audited the financial statements of Exeter College (the 'corporation') and its subsidiaries (the 'group') for the year ended 31 July 2018 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheets, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice: Accounting for Further and Higher Education (the '2015 FE HE SORP') and the College Accounts Direction for 2017 to 2018.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and corporation's affairs as at 31 July 2018 and of the group's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the 2015 FE HE SORP and the College Accounts Direction 2017 to 2018.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the corporation's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF EXETER COLLEGE (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post 16 Audit Code of Practice Issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the corporation, or returns adequate for our audit have not been received from branches not visited by us; or
- the corporation's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 18, the corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the corporation is responsible for assessing the group's and the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the corporation either intend to liquidate the group or the corporation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the corporation those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation, for our audit work, for this report, or for the opinions we have formed.

Bishop Fleming LLP

Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
2nd Floor Stratus House
Emperor Way
Exeter Business Park
Exeter
EX1 3QS

Date: *11 December 2018*

Reporting accountant's assurance report on regularity to the corporation of Exeter College and Secretary of State for Education, acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 17 May 2017 and further to the requirements of the financial memorandum with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Exeter College during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the Department has other assurance arrangements in place.

This report is made solely to the corporation of Exeter College and the Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Exeter College and the Department those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Exeter College and the Department for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Exeter College and the reporting accountant

The corporation of Exeter College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the Department. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across the College's activities;
- Evaluation and validation of the processes and controls in place to ensure regularity and propriety for the use of public funds, including the consideration of the College's self-assessment questionnaire (SAQ).
- Sample testing of income and expenditure to ensure that funds have been applied for the purposes that they were awarded, focused on areas assessed as higher risk.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Bishop Fleming LLP

Bishop Fleming LLP
Statutory Auditor
Stratus House
Emperor Way
Exeter Business Park
Exeter
EX1 3QS

Date: *11 December 2018*

Consolidated Statement of Comprehensive Income and Expenditure
For the year ended 31 July 2018

	Notes	2018 Group £'000	2018 College £'000	2017 Group £'000	2017 College £'000
INCOME					
Funding body grants	2	30,782	30,782	30,401	30,401
Tuition fees and education contracts	3	5,728	5,728	5,319	5,319
Other income	4	4,198	4,198	3,906	3,906
Investment income	5	22	22	17	17
Total income		40,730	40,730	39,643	39,643
EXPENDITURE					
Staff costs	6	27,705	27,705	25,565	25,565
Other operating expenses	8	11,175	11,208	11,091	11,091
Depreciation	11	2,799	2,799	2,645	2,645
Interest and other finance costs	9	1,065	1,065	979	979
Total expenditure		42,744	42,777	40,280	40,280
(Deficit) before other gains and losses		(2,014)	(2,047)	(637)	(637)
Gain on sale of assets		3,488	3,488	-	-
Surplus/(Deficit) before taxation		1,474	1,441	(637)	(637)
Taxation	10	-	-	-	-
Surplus/(Deficit) for the year		1,474	1,441	(637)	(637)
Actuarial Gain/(loss) in respect of pension schemes	24	4,957	4,957	(2,057)	(2,057)
Total comprehensive Income/(Loss) for the year		6,431	6,398	(2,694)	(2,694)

The statement of comprehensive income is in respect of continuing activities.

The notes on pages 27 to 44 form an integral part of these financial statements.

Consolidated and College Statement of Changes in Reserves
For the year ended 31 July 2018

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1 August 2016	(498)	9,899	9,401
Deficit from the income and expenditure account	(637)	-	(637)
Other comprehensive loss	(2,057)	-	(2,057)
Transfers between revaluation and income and expenditure reserves	325	(325)	-
	(2,369)	(325)	(2,694)
Balance at 31 July 2017	(2,867)	9,574	6,707
Surplus from the income and expenditure account	1,474	-	1,474
Other comprehensive income	4,957	-	4,957
Transfers between revaluation and income and expenditure reserves	325	(325)	-
Total comprehensive income/(loss) for the year	6,756	(325)	6,431
Balance at 31 July 2018	3,889	9,249	13,138
College			
Restated Balance at 1 August 2016	(465)	9,899	9,434
Deficit from the income and expenditure account	(637)	-	(637)
Other comprehensive income	(2,057)	-	(2,057)
Transfers between revaluation and income and expenditure reserves	325	(325)	-
	(2,370)	(325)	(2,695)
Balance at 31 July 2017	(2,834)	9,574	6,740
Deficit from the income and expenditure account	1,441	-	1,441
Other comprehensive income	4,957	-	4,957
Transfers between revaluation and income and expenditure reserves	325	(325)	-
Total comprehensive loss for the year	6,723	(325)	6,398
Balance at 31 July 2018	3,889	9,249	13,138

The notes on pages 27 to 44 form an integral part of these financial statements.

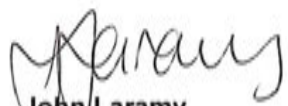
Balance sheets as at 31 July 2018

	Notes	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Fixed assets					
Tangible assets	11	49,860	49,860	50,352	50,352
Investments	12	205	205	-	-
Total fixed assets		50,065	50,065	50,352	50,352
Current assets					
Trade and other receivables	13	3,680	3,680	1,256	1,289
Cash and cash equivalents	14	7,466	7,466	6,883	6,883
Total current assets		11,146	11,146	8,139	8,172
Less: Creditors – amounts falling due within one year	15	(6,642)	(6,642)	(6,538)	(6,538)
Net current assets		4,504	4,504	1,601	1,634
Total assets less current liabilities		54,570	54,570	51,953	51,986
Less: Creditors – amounts falling due after more than one year	16	(18,551)	(18,551)	(19,683)	(19,683)
Provisions					
Defined benefit obligations	18	(21,757)	(21,757)	(24,338)	(24,338)
Other provisions	18	(1,123)	(1,123)	(1,225)	(1,225)
TOTAL NET ASSETS		13,138	13,138	6,707	6,740
Unrestricted Reserves					
Income and expenditure account excluding pension reserve	21	25,646	25,646	21,471	21,504
Pension reserve	21	(21,757)	(21,757)	(24,338)	(24,338)
Total income and expenditure account	21	3,889	3,889	(2,867)	(2,834)
Revaluation reserve		9,249	9,249	9,574	9,574
TOTAL UNRESTRICTED RESERVES		13,138	13,138	6,707	6,740

The financial statements and the accompanying notes on pages 27 to 44 were approved by the Corporation on 7 December 2018 and were signed on its behalf on that date by:



David Allen OBE
Chair



John Laramy
Principal

The notes on pages 27 to 44 form an integral part of these financial statements

Consolidated Statement of Cash Flows
For the year ended 31 July 2018

	Notes	2018	2017
		£'000	£'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		1,474	(637)
Adjustment for non-cash items			
Depreciation		2,799	2,645
(Increase) / decrease in debtors		(2,424)	(77)
(Decrease) / Increase in creditors due within one year		87	(137)
(Decrease) / Increase in creditors due after one year		(408)	(337)
(Decrease) / Increase in provisions		(102)	(96)
Pensions costs less contributions payable		2,377	1,767
Adjustment for investing or financing activities			
Investment income		(22)	(17)
Interest payable		402	434
Profit on sale of fixed assets		(3,448)	-
Net cash flow from operating activities		735	3,545
Cash flows from investing activities			
Proceeds from sale of fixed assets		3,528	-
Investment income		22	17
Payments made to acquire fixed assets		(2,387)	(3,537)
Payments made to acquire subsidiary		(205)	-
Receipt of Capital Grant		-	2,000
		958	(1,520)
Cash flows from financing activities			
Interest paid		(402)	(434)
New unsecured loans		-	-
Repayments of amounts borrowed		(708)	(690)
		(1,110)	(1,124)
Increase in cash and cash equivalents in the year		583	901
Cash and cash equivalents at beginning of the year	14	6,883	5,982
Cash and cash equivalents at end of the year	14	7,466	6,883

The notes on pages 27 to 44 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 July 2018

1. Accounting policies

Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP) and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Funding bodies 2016/17 Accounts Direction Handbook and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £9.0 m of loans outstanding with bankers on terms negotiated since 2005. The terms of the existing agreement are for up to another 14 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets, and in accordance with applicable United Kingdom Accounting Standards.

Basis of consolidation

The consolidated financial statements include the College and two of its subsidiaries, as detailed in Note 12. The results of the newly acquired subsidiary, Exeter College Apprentices Limited have not been included in these financial statements as they are not considered material. Intra-group sales and profits are eliminated fully on consolidation. In accordance with Financial Reporting Standard FRS 102, the activities of the student union (student representative committee) have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2018.

Recognition of income

The recurrent grant from HEFCE/OfS represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income and Expenditure.

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

1. Accounting policies (continued)

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent that conditions of the funding have been met, or the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the Statement of Comprehensive Income and Expenditure in the period in which it is earned.

Accounting for post-employment benefits

Post employment benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 24, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in other comprehensive income.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's Statement of Comprehensive Income and Expenditure in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the LSC and its successor organisations.

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

1. Accounting policies (continued)

Non-Current Assets - Tangible fixed assets

Land and buildings

Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2018. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the Statement of Comprehensive Income and Expenditure in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

All equipment is depreciated over its useful economic life as follows:

- Motor vehicles and general equipment – between 3 and 5 years on a straight-line basis
- Computer equipment – 3 years on a straight-line basis

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

1. Accounting policies (continued)

Investments

Investments in Subsidiaries are carried at historical cost less any provision for impairment in Individual financial statements. The results of the newly acquired subsidiary has not been consolidated in these financial statements as it is not considered material.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Maintenance of premises

The cost of routine corrective maintenance is charged to the Statement of Comprehensive Income and Expenditure in the period in which it is incurred.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost.

Debt and Borrowings

The College recognises loan balances upon receipt of the loan and reduces the balances in line with debt repayments. All interest payments are recognised in the year of payment.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature. The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

1. Accounting policies (continued)

Cash and Cash equivalents

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event and it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from Statement of Comprehensive Income and Expenditure, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determined whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determined whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key source of estimation uncertainty

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Financial Statements (continued)
For the year ended 31 July 2018

2 Funding body grants

Group and College	2018 £'000	2017 £'000
Recurrent grants		
Education and Skills Funding Agency - adult	870	1,355
Education and Skills Funding Agency - 16 - 18	24,455	23,889
Education and Skills Funding Agency - apprenticeships	4,676	4,297
Higher Education Funding Council/OfS	377	472
Specific grants		
Releases of deferred capital grants	404	388
	30,782	30,401

3 Tuition fees and education contracts

Group and College	2018 £'000	2017 £'000
Adult Education fees	2,351	1,953
Apprenticeship fees and contracts	198	176
Fees for FE/HE loan supported courses	2,590	2,720
International students fees	481	245
Total tuition fees	5,620	5,094
Education contracts	108	225
	5,728	5,319

4 Other income

Group and College	2018 £'000	2017 £'000
Catering and residences	851	818
Other income generating activities	2,833	2,579
Exam fees	75	79
Rent receivable	79	86
Day nursery income	344	324
Hairdressing	16	20
	4,198	3,906

5 Investment income

	2018 £'000	2017 £'000
Other interest receivable	22	17
	22	17

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

6 Staff costs

The average number of persons (including senior post-holders) employed by the Group and College during the year, described as full-time equivalents, was:

	2018 No.	2017 No.
Teaching staff	583	565
Non-teaching staff	140	143
	<u>723</u>	<u>708</u>

Staff costs for the above persons

	2018 £'000	2017 £'000
Wages and salaries	21,016	19,893
Social security costs	1,834	1,733
Other pension costs	4,780	3,919
Payroll sub total	<u>27,630</u>	<u>25,545</u>
Restructuring costs – contractual	75	20
	<u>27,705</u>	<u>25,565</u>

7 Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which is comprised of the Principal and Vice Principals.

Emoluments of Key management personnel, Accounting Officer and other higher paid staff

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	4	4

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions and employers national insurance but including benefits in kind, in the following ranges was:

	Senior post-holders		Other staff	
	2018 No.	2017 No.	2018 No.	2017 No.
£60,001 to £70,000	-	-	2	3
£70,001 to £80,000	-	-	3	2
£80,001 to £90,000	-	3	-	-
£90,001 to £100,000	3	-	-	-
£100,001 to £110,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	-	1	-	-
£140,001 to £150,000	-	-	-	-
£150,001 to £160,000	1	-	-	-
	<u>4</u>	<u>4</u>	<u>5</u>	<u>5</u>

Notes to the Financial Statements (continued)
For the year ended 31 July 2018

Key management personnel compensation is made up as follows:

	2018 £'000	2017 £'000
Salaries	477	422
Employers National Insurance	61	53
Benefits in kind	<u>2</u>	<u>2</u>
	520	477
Pension contributions	<u>74</u>	<u>63</u>
Total emoluments	<u>614</u>	<u>540</u>

The above compensation included amounts payable to the Accounting Officer (who is the highest paid officer) of:

	2018 £'000	2017 £'000
Salaries	156	131
Other benefits in kind	<u>1</u>	<u>1</u>
	157	132
	<u>26</u>	<u>22</u>
Pension contributions	<u>26</u>	<u>22</u>

The members of the Corporation did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. Those Governors which are also staff members of the corporation were not paid for their role as Governor.

8 Other operating expenses

	2018 Group £'000	2018 College £'000	2017 Group/ College £'000
Teaching costs	4,431	4,431	4,379
Non-teaching costs	4,387	4,420	4,291
Premises costs	<u>2,357</u>	<u>2,357</u>	<u>2,421</u>
Total	<u>11,175</u>	<u>11,208</u>	<u>11,091</u>

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

	2018 £'000	2017 £'000
Other operating expenses include:		
Auditors' remuneration:		
Financial statements audit*	17	17
Internal audit**	25	27
Other services provided by the external auditors	4	3
Other services provided by the internal auditors	-	-
Hire of assets under operating leases	114	147
	<hr/>	<hr/>

* includes £17,500 in respect of the College (2016/17 £17,500)

** includes £24,500 in respect of the College (2016/17 £26,970)

9 Interest payable

	2018 £'000	2017 £'000
Group and College		
On bank loans, overdrafts and other loans:	402	434
	<hr/>	<hr/>
	402	434
On finance leases	-	-
Net interest on defined pension liability (note 24)	663	545
	<hr/>	<hr/>
Total	1,065	979
	<hr/>	<hr/>

10 Taxation

The Members of the Corporation do not believe the College is liable for any corporation tax arising out of its activities during this year.

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

11 Tangible fixed assets (Group & College)

	Land and Buildings Freehold £'000	Equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation				
At 1 August 2017	72,575	3,700	2,563	78,838
Additions	1,374	877	136	2,387
Disposals	(300)	(735)	-	(1,035)
Transfer	1,985	502	(2,487)	-
At 31 July 2018	75,634	4,344	212	80,190
Depreciation				
At 1 August 2017	25,369	3,117	-	28,486
Charge for the year	2,200	599	-	2,799
Elimination in respect of disposals	(220)	(735)	-	(955)
At 31 July 2018	27,349	2,981		30,330
Net book value at 31 July 2018	48,285	1,363	212	49,860
Net book value at 31 July 2017	47,206	583	2,563	50,352

Inherited land and buildings were valued at incorporation at depreciated replacement cost by Devon County Council Surveyors Department.

Land and buildings with a net book value of £32,971k have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Funding Body, to surrender the proceeds.

12 Investments

	College 2018 £'000	College 2017 £'000
Investments in subsidiary companies	205	-

The College owns 100% of the issued ordinary £1 shares of Exeter College Services Limited (formally Ecole Limited), Aplus Training (SW) Limited. Both of these companies were dormant throughout the financial year. The third wholly owned subsidiary is Exeter College Apprentices Limited (formally ACS Limited). The principal activity of Exeter College Apprentices Limited during the period was that of mentoring young people on work experience placements. This company was acquired in May 2018 at a cost of £205k.

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

13 Trade and other receivables

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Amounts falling due within one year:				
Trade receivables	490	490	642	642
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	-	33
Prepayments and accrued income	3,190	3,190	614	614
	<u>3,680</u>	<u>3,680</u>	<u>1,256</u>	<u>1,289</u>

14 Cash and cash equivalents

	At 1 August 2017 £'000	Cash flows £'000	At 31 July 2018 £'000
Cash and cash equivalents	6,883	583	7,466
Overdrafts	-	-	-
Total	<u>6,883</u>	<u>583</u>	<u>7,466</u>

15 Creditors: amounts falling due within one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans and overdrafts	725	725	708	708
Payments received in advance	255	255	714	714
Trade payables	525	525	353	353
Other taxation and social security	1,211	1,211	511	511
Deferred income	1,576	1,576	1,381	1,381
Accruals	2,005	2,005	2,529	2,529
Deferred income – government capital grants	345	345	342	342
	<u>6,642</u>	<u>6,642</u>	<u>6,538</u>	<u>6,538</u>

16 Creditors: amounts falling due after one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans	8,281	8,281	9,005	9,005
Deferred Income – government capital grants	10,270	10,270	10,678	10,678
	<u>18,551</u>	<u>18,551</u>	<u>19,683</u>	<u>19,683</u>

Notes to the Financial Statements (continued)
For the year ended 31 July 2018

17 Maturity of debt

(a) Bank loans

Bank loans are repayable as follows:

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	725	725	708	708
Between one and two years	741	741	725	725
Between two and five years	4,119	4,119	4,447	4,447
In five years or more	3,421	3,421	3,834	3,834
Total	9,006	9,006	9,714	9,714

The College currently has four bank loans:

- The first loan (capital outstanding at 31 July 2018: £3,518k) is unsecured and is repayable over a period of 15 years. The loan is being repaid in 56 quarterly instalments, the first being paid in October 2007. The interest on the loan has been fixed for a period of 15 years at 5.615% per annum.
- The second loan (capital outstanding at 31 July 2018: £2,312k) is repayable over 16 years from July 2011, in 56 quarterly instalments following a 2 year initial capital repayment holiday. The interest rate has been fixed at 4.0375% per annum.
- The third loan (capital outstanding at 31 July 2018: £ 436k) is initially for 5 years from July 2011, with the option to extend to 20 years with an initial 2 year capital repayment holiday. Repayments have been geared to an 18 year repayment term with the interest rate charged at 1.65% above LIBOR.
- The College converted an additional unsecured loan in 2016 from an initial loan on a revolving credit facility. This loan totalled £3,000,000 and was converted in July 2016 on a fixed rate for 14 years 10 months with the option to extend to 23 years at a variable rate. Capital outstanding at 31 July 2018 was £2,740k.

18 Provisions for liabilities and charges

	Group and College		
	Defined benefit obligation £'000	Enhanced pensions £'000	Total £'000
At 1 August 2017	24,338	1,225	25,563
Expenditure/contributions in period	(1,032)	(92)	(1,124)
Indexation/interest	663	42	705
Current service cost	2,693	-	2,693
Actuarial valuation loss/(gain)	(4,905)	(52)	(4,957)
At 31 July 2018	21,757	1,123	22,880

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 24.

Notes to the Financial Statements (continued)
For the year ended 31 July 2018

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2018	2017
Price inflation	2.30%	2.30%
Discount rate	1.30%	1.30%

19 Capital commitments

	2018 £'000	2017 £'000
Commitments contracted for at 31 July	<u>2,161</u>	<u>1,847</u>

20 Lease obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	Group and College	
	2018 £'000	2017 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	232	43
Later than one year and not later than five years	70	176
Later than five years	<u>-</u>	<u>-</u>
	<u>302</u>	<u>219</u>
Other		
Not later than one year	2	2
Later than one year and not later than five years	-	-
Later than five years	<u>-</u>	<u>-</u>
	<u>2</u>	<u>2</u>

Notes to the Financial Statements (continued)
For the year ended 31 July 2018

21 Unrestricted Reserves

	Income & Expenditure Reserve (excluding Pension Reserve) £'000	Pension Reserve £'000	Total Income and Expenditure Reserve £'000
As at 1 August 2017	21,471	(24,338)	(2,867)
Total comprehensive income	3,850	2,581	6,431
Transfer from revaluation reserve	325	-	325
As at 31 July 2018	25,646	(21,757)	3,889

22 Contingent Liabilities

There are no contingent liabilities.

23 Events after the reporting period

There are no post balance sheet events to report.

24 Defined benefit obligations

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Devon County Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year	2018 £'000	2017 £'000
Teachers' Pension Scheme: contributions paid	2,045	1,872
Local Government Pension Scheme:		
Contributions paid	1,032	830
FRS 102(28) charge	1,661	1,171
	2,693	2,001
Enhanced pension charge to Statement of Comprehensive Income (staff costs)	42	46
Total Pension Cost for Year	4,780	3,919

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £284k (2017: £261k) were payable to the Teachers' Pension scheme and are included in creditors.

Contributions amounting to £118k (2017: £111k) payable to the Local Government Pension scheme are included in creditors.

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

24 Defined benefit obligations (continued)

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

Valuation of the Teacher's Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable at some point in 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds administered by Devon County Council. The total contribution made for the year ended 31 July 2018 was £1,445,000 of which employer's contributions totalled £1,032,000 and employees' contributions totalled £413,000. The agreed contribution rates for future years are 13.2% for employers and 5.5% to 10.5% for employees.

Notes to the Financial Statements (continued)
For the year ended 31 July 2018

24 Defined benefit obligations (continued)

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	3.85%	4.20%
Future pensions increases	2.35%	2.70%
Discount rate for scheme liabilities	2.65%	2.70%
Inflation assumption	2.35%	2.70%
Commutation of pensions to lump sums	50.00%	50.00%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.
The assumed life expectations on retirement age 65 are:

	At 31 July 2018	At 31 July 2017
<i>Retiring today</i>		
Males	23.50	23.40
Females	25.60	25.50
<i>Retiring in 20 years</i>		
Males	25.80	25.60
Females	28.00	27.80

The College's share of the assets and liabilities in the scheme and the expected rates of return were:

	Value at 31 July 2018 £'000	Value at 31 July 2017 £'000
UK Equities	6,630	7,045
Overseas Equities	12,486	10,439
Gilts	1,077	885
Property	2,900	2,603
Infrastructure	1,189	1,142
Other Bonds	637	726
Target Return Portfolio	4,614	4,393
Cash	492	775
Alternative Assets	1,664	1,615
Private Equity	329	N/A
Total market value of assets	32,018	29,623
Weighted average expected long term rate of return	2.65%	2.70%
Deficit in the scheme	(21,757)	(24,338)

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

24 Defined benefit obligations (continued)

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2018 £'000	2017 £'000
Fair value of plan assets	32,018	29,623
Present value of plan liabilities	(53,775)	(53,961)
Net pensions liability (Note 18)	<u>(21,757)</u>	<u>(24,338)</u>

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2018 £'000	2017 £'000
Amounts included in staff costs		
Current service cost	(2,693)	(1,985)
Past service cost	-	(16)
	<u>(2,693)</u>	<u>(2,001)</u>

Amounts included in interest and other finance costs

Net interest expense	<u>(663)</u>	<u>(545)</u>
	<u>(663)</u>	<u>(545)</u>

Amounts recognised in Other Comprehensive Income

	2018 £'000	2017 £'000
Return on pension plan assets	1,155	2,467
Other actuarial (Losses)	-	(289)
Changes in assumptions underlying the present value of plan liabilities	<u>3,750</u>	<u>(4,285)</u>
	4,905	(2,107)
Enhanced pension gain	52	50
	<u>4,957</u>	<u>(2,057)</u>
Total per Statement of Comprehensive Income & Expenditure	<u>4,957</u>	<u>(2,057)</u>

Notes to the Financial Statements (continued)
For the year ended 31 July 2018

24 Defined benefit obligations (continued)

Movement in deficit benefit during year	2018 £'000	2017 £'000
Deficit in scheme at 1 August	(24,338)	(20,515)
Movement in year:		
Current service cost	(2,693)	(1,985)
Employer contributions	1,032	830
Past service cost	-	(16)
Net interest on the defined liability	(663)	(545)
Actuarial gain/(loss)	4,905	(2,107)
Deficit in scheme at 31 July	(21,757)	(24,338)
Asset and Liability reconciliation		
Changes in the present value of defined benefit obligations	2018 £'000	2017 £'000
Defined benefit obligations at start of period	53,961	46,968
Current service cost	2,693	1,985
Interest cost	1,449	1,216
Contributions by scheme participants	413	385
Experience gains and losses on defined benefit obligations	-	(40)
Changes in financial assumptions	(3,750)	4,285
Estimated benefits paid	(991)	(854)
Past service cost	-	16
Defined benefit obligations at end of period	53,775	53,961
Reconciliation of Assets		
	2018 £'000	2017 £'000
Fair value of plan assets at start of period	29,623	26,453
Interest on plan assets	806	692
Return on plan assets	1,155	2,467
Other Actuarial Loss	-	(329)
Administration expenses	(20)	(21)
Employer contributions	1,032	830
Contributions by scheme participants	413	385
Estimated benefits paid	(991)	(854)
Fair value of plan assets at end of period	32,018	29,623

The estimated value of employer contributions for the year ending 31 July 2018 is £1,032,000.

25 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. There were no transactions that require disclosure under FRS102.